

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 PA-01 /097 W
-----128486 231108Z /21

R 221640Z FEB 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 778
TREASURY DEPT WASHDC
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMCONSUL MILAN
AMCONSUL NAPLES
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 3339

USEEC, USOECD, PASS FRB

EO 11652: NA
TAGS: EFIN, IT
SUBJ: FINANCIAL MARKET DEVELOPMENTS (78-2) AND REVISED
CURRENT ACCOUNT ESTIMATES FOR 1977

REF: A. ROME 1677, B. ROME 1034

1. ITALY'S INTERNATIONAL MONETARY TRANSACTIONS IN
JANUARY REGISTERED A SURPLUS OF \$642 MILLION, UP
FROM A SURPLUS OF \$425 MILLION THE MONTH BEFORE. THE
SURPLUS WAS FINANCED BY ANOTHER
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(AS IN DECEMBER) REDUCTION IN THE FOREIGN INDEVTEDNESS
OF THE COMMERCIAL BANKS, IN THE AMOUNT OF \$762 MILLION AND A
DECLINE IN RESERVESBY \$120 MILLION.
AS OF THE END OF JANUARY, OFFICIAL CONVERTIBLE
FOREIGN EXCHANGE HOLDINGS WERE \$7.6 BILLION,
GOLD HOLDINGS WERE VALUED BY THE BANK OF ITALY AT \$11,260
MILLION.

2. CONTRIBUTING TO THE OVERALL SURPLUS IN JANUARY, USUALLY A SEASONALLY ADVERSE MONTH, WAS AN INFLOW OF MEDIUM-TERM CAPITAL IN THE AMOUNT OF ABOUT \$250 MILLION, \$200 MILLION OF WHICH WAS THE ENEL BORROWING (REF B). SINCE TOURIST RECEIPTS GENERALLY DECLINE IN JANUARY AFTER THE CHRISTMAS SEASON AND THE SERVICES ACCOUNT IS GENERALLY IN DEFICIT DURING THE FIRST QUARTER, IT SEEMS THAT THE BULK OF THE REMAINING PORTION OF THE SURPLUS SHOULD BE ATTRIBUTED TO A POSITIVE SWING IN THE TRADE BALANCE IN JANUARY.

3. DATA FOR DECEMBER IS STILL LACKING ON ITALIAN MERCHANDISE TRADE AND OTHER CURRENT ACCOUNT ITEMS, BUT PRELIMINARY AND PARTIAL DATA FOR OCTOBER AND NOVEMBER POINT TO A SUBSTANTIALLY LARGER CURRENT ACCOUNT SURPLUS IN 1977 THAN THAT ESTIMATED IN REF A. PRESENT CURRENT UNOFFICIAL ESTIMATES BY THE BANK OF ITALY PUT THE 1977 SURPLUS ON CURRENT ACCOUNT BETWEEN \$2 AND 2.5 BILLION, AS COMPARED TO THE \$1.5 TO 2 BILLION ESTIMATED EARLIER. OUR OWN ESTIMATE FOR THE 1977 CURRENT ACCOUNT SURPLUS IS CLOSER TO THE UPPER PART OF THE PRESENT BANK OF ITALY'S RANGE, AS SET FORTH IN THE TABLE 1 BELOW. THE UPWARD REVISION OF OUR EARLIER ESTIMATE FOR THE SURPLUS IS ATTRIBUTABLE TO THREE FACTORS: (A) LARGER LIMITED OFFICIAL USE

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EMIGRANT'S REMITTANCES IN THE THIRD AND FOURTH QUARTERS; (B) LOWER IMPORTS IN THE FOURTH QUARTER; AND (C) SUBSTANTIALLY GREATER TRAVEL RECEIPTS IN THE FOURTH QUARTER.

4. TABLE 1 - BALANCE OF PAYMENTS - QUARTERLY (MILLIONS OF DOLLARS)

	1977					
	I A	II A	III A	IV E	YEAR E	
EXPORTS (F.O.B.)	9,690	11,341	10,828	11,679	43,538	
IMPORTS (F.O.B.)	10,587	11,614	9,846	11,133	43,180	
TRADE BALANCE	-897	-273	982	546	358	
TRAVEL	375	962	1,667	796	3,800	
OTHER SERVICES	-580	-535	-451	-621	-2,187	
UNILATERAL TRANSFERS	179	7	194	150	530	
CURRENT ACCOUNT	-923	161	2,392	871	2,501	

A: ACTUAL

E: ESTIMATE

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USEEC, USOECD, PASS FRB

5. TABLE 2 - MONETARY MOVEMENTS 1) (MILLIONS OF DOLLARS)

DEC 1-31 JAN 1-DEC 31 JAN 1-31

1. BOI/ UIC

GOLD	911.4	1,939.6	-
CONV. FOR. EX.	-213.5	4,816.2	-360.1
OTHER	-948.9	-951.5	222.6
TOTAL BOI/UIC	-251.0	5,804.5	-137.5

2. COM. BANKS' NET

FOREIGN POSITION	589.3	-3,611.3	761.5
SUB-TOTAL	338.3	2,193.0	624.0

3. FOR. EXCHANGE

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ADJUSTMENT	86.5	220.1	18.1
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4. SURPLUS/DEFICIT 424.8 2,413.1 642.1

1) INCLUDES GOLD STOCK REVALUATION OF \$1,922.0 MILLION IN THE PERIOD JANUARY-DECEMBER AND OF \$902.4 MILLION IN DECEMBER. EQUAL CONTINGENT LIABILITY INCLUDED IN "OTHER."

6. TABLE 3 - FOREIGN RESERVE POSITION (MILLIONS OF DOLLARS)

	1976	1977	1978
	DEC 31	DEC. 31	JAN 31
1. BIO/UIC			
GOLD	9,320.5	11,260.1	11,260.1
CONV. FOR. EX.	3,132.0	7,968.1	7,968.0
OTHER (INCL. GOLD REVALUATION) 1)	-12,372.0	-13,342.7	-13,120.1
TOTAL BIO/UIC	80.5	5,885.5	5,748.0
2. COMMERCIAL BANKS'			
NET FOR. POSITION-3,011.0		-6,623.0	-5,861.5
TOTAL	-2,930.5	-737.5	-113.5

1) INCLUDES LIABILITIES FOR EC, BUNDESBANK AND IMF

7. TABLE 4 - EXTRAORDINARY TRANSACTIONS (MILLION OF DOLLARS)

	DEC 1-31	JAN 1-DEC 31	JAN1-31
FIAT/LIBYA	-	-	-
IMF (1974) STANDBY	-	-	-
IMF (1977) STANDBY	-	-	-
IMF GOLD TRANCHE	-	-	-
BUNDESBANK GOLD LOAN	-	-	-
EC LOAN	-	-	-
IMF OIL FACILITY			
FIRST REPAYMENT	-19.5	-19.5	-
GOLD REVALUATIONS	902.4	1,922.0	-
EUROMARKET LOANS	-	-521.8	-
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8. TABLE 5 - FOREIGN EXCHANGE AND MONEY MARKET RATES

	DEC. 28	JAN. 25	FEB. 15
LIRA/\$ SPOT	874	867	858
LIRA/\$ 6 MO.	916	905	883
LIRA/\$ BLACK MKT	873	917	893
BIO FX INDEX 1)			
ALL CURRENCIES	-39.95	-39.84	-38.98
DOLLAR	-33.49	-32.99	-32.30
INTEREST RATES			
INTERBANK 3 MO.	11.438	11.188	11.313 2)
PRIME RATE	16.00	16.00	16.00
AVERAGE BOND	14.31	14.198	14.109
LIRA/\$ 3 MO. DISCOUNT	11.1	9.0	5.8
EURODOLLAR 3 MO.	7.50	7.375	7.25

1) WEIGHTED AVERAGE PERCENT DEPRECIATION SINCE 2/9/73

(SECOND DOLLAR DEVALUATION)

2) AS LAST QUOTED FEBRUARY 2, 1978

9. TABLE 6 - MONETARY AND CREDIT AGGREGATES (RATES
OF CHANGE IN PERCENT)

1977

1Q 2Q 3Q 4Q 12 MOS.

ENDING

MONETARY BASE1)

RAW 3.0 2.3 4.4 8.0 18.8 (DEC)

SEAS. ADJ. 5.3 1.0 5.1

M1, SEAS ADJ.2) 6.2 3.4 5.0 19.2 (NOV)

M3, SEAS. ADJ.3) 6.0 4.0 4.2 21.6 (OCT)

TOTAL DOMESTIC

CREDIT 4.8 3.0 2.3 17.9 (NOV)

1) EXCLUDING POSTAL DEPOSITS

2) CURRENCY IN CIRCULATION PLUS DEMAND DEPOSITS

3) M1 PLUS SAVING DEPOSITS AND TREASURY BILLS IN HANDS OF
NON-BANK PUBLIC.GARNDER

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